

# Severance and Federal Mineral Lease

Energy Impact Assistance Fund  
(EIAF)

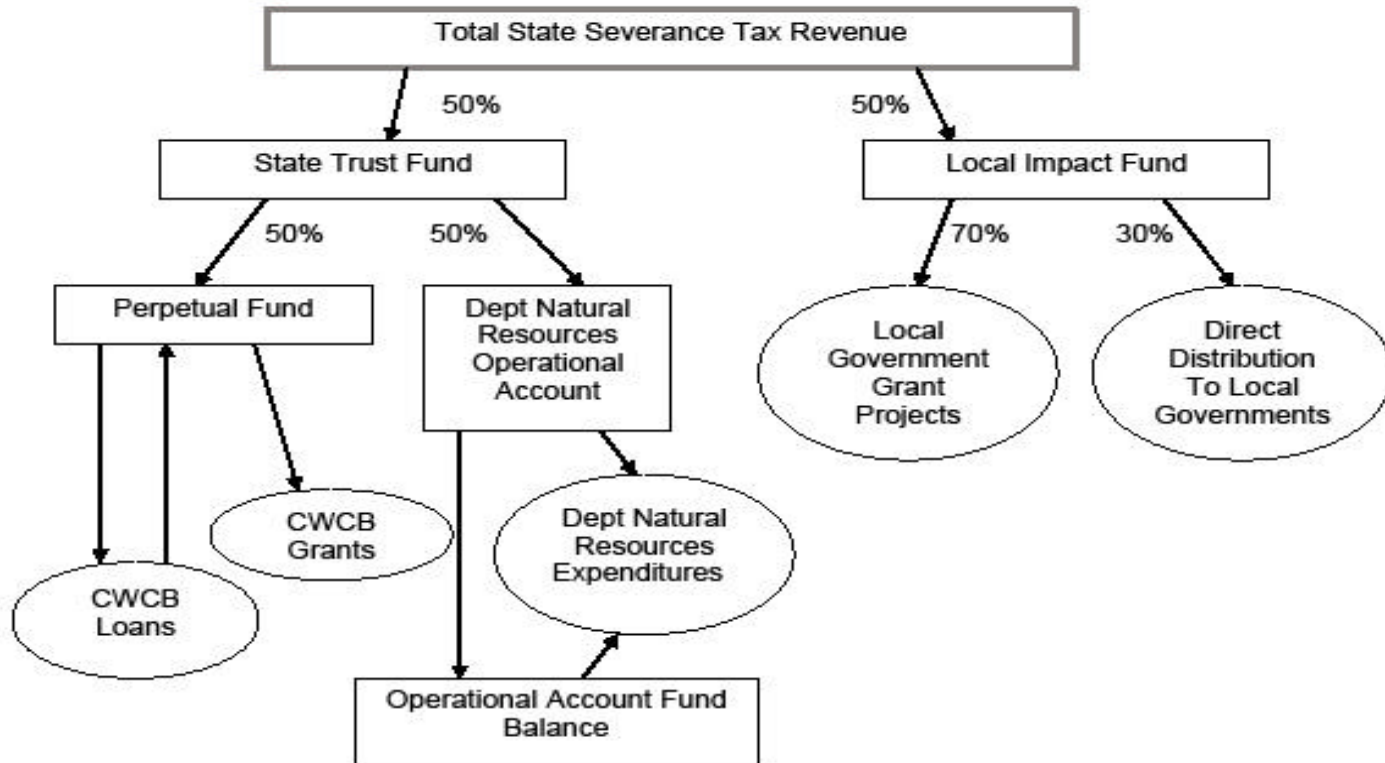
A Briefing to the Energy Impact Advisory Committee

October 29, 2008

# Mineral Tax Revenue is Variable

- Mineral revenue (severance tax and Federal Mineral Lease Royalties) is collected on the production of coal, metals, oil and gas
- Revenue from the value of oil and gas production provides the majority of severance tax revenue and has the largest variability

# How is State Severance Tax Revenue Distributed (HB-08-1083)?



**Federal Mineral Lease Collections  
in Colorado FY09 \$400 million**

49% to Colorado  
each Quarter

**\$196 million composed of:**

**\$ 0 million Oil Shale**  
**\$14 million Bonus**  
**\$182 million NonBonus**

Oil Shale Receipts \$0M to Oil Shale Trust Fund

**Bonus  
Receipts  
\$14M**

**50% to  
Higher  
Education  
Reserve  
Fund  
\$7M**

**50% to  
Local Govt  
Permanent  
Fund  
\$7M**

**Higher  
Education  
Revenue  
Fund**

Spillover up to  
\$50M  
  
\$27M

spillover  
\$23M

spillover  
\$4M

spillover  
\$0M

**State Public School Fund**  
48.3% up to \$65 million  
\$88M

**Colorado Water  
Conservation Board**  
10% up to \$14 million  
\$18M

**Local School District Direct  
Distributions each August**  
1.7% up to \$3.3 million  
\$3M

**Local Impact Distribution Program**

40% without a cap \$73M

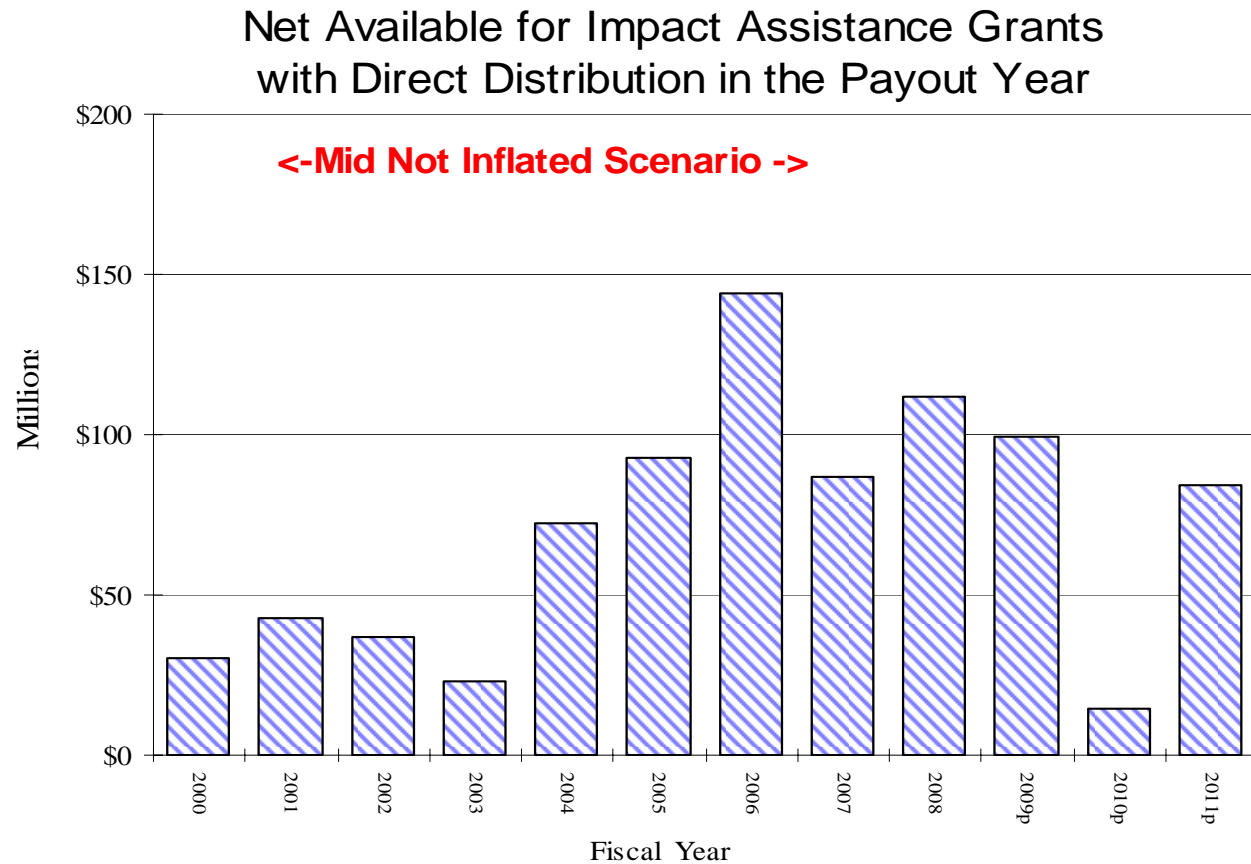
**50% Direct Distribution to Counties and Towns  
each August \$36M**

**50% Grants to Local Governments \$36M**

# Availability of Funds For EIAF

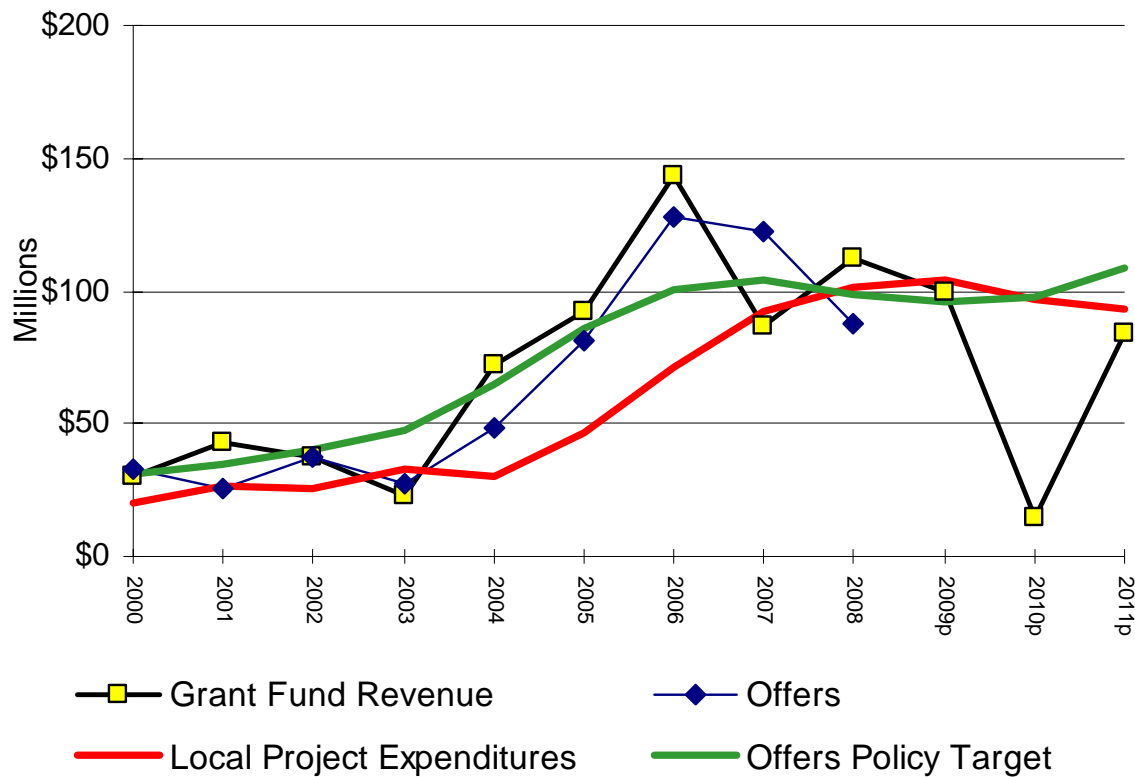
- DOLA reviews forecasts of severance tax and federal mineral lease revenue
- DOLA forecasts the expenditures required as a result of prior grant and loan awards
- Legislative change to increase the dollars to direct distribution reduces the dollars available for grants and loans
- Combining revenue, expenditure forecasts, and legislative changes determine the amount for new awards

# Net Revenue Forecast for Grants and Loans



# Grant Offer Policy Model

Impact Program Revenue, Offers and Expenditures



# Availability of Funds or EIAF continued...

- Current decline in the price of natural gas, revenues are likely to decline in the short-term
- Legislative changes
- Forecast \$100 million (10% variance)
  - Minus \$19 million for Supplemental and Administrative Grant Awards
- **\$81 million** available for Grant/loans



# Major Changes

- Legislative
  1. Additional Metrics
  2. More Direct Distribution Percentage
- Departmental Policy
  1. Three Tiers
  2. Metrics
  3. Fiscal Award Strategy

# Legislative Changes

- Severance and FML Direct Distribution Increased to 40%
- Metrics for Direction Distribution

|                        | HB08-1083  | SB 08-218   |
|------------------------|--|---|
| County Allocations     | <ul style="list-style-type: none"><li>● Employee Residence Reports (Online Data Entry)</li><li>● Mineral &amp; Well Permits</li><li>● Mineral Production</li></ul> | <ul style="list-style-type: none"><li>● Employee Residence Reports (Online Data Entry)</li><li>● Federal Lease Revenue</li></ul>                |
| Sub-County Allocations | <ul style="list-style-type: none"><li>● Employee Residence Reports (Online Data Entry)</li><li>● Population</li><li>● HUTF Road Miles</li></ul>                    | <ul style="list-style-type: none"><li>● Employee Residence Reports (Online Data Entry)</li><li>● Population</li><li>● HUTF Road Miles</li></ul> |

# Legislative Metric Factor Changes

- Significant changes in these metric values and the resulting financial payment amounts will be realized through the development of the data into:

Indices → Weighting → Metrics

# Evaluation Rating Sheet EIAF Grant Applications

- **Six Criteria and Bonus**
  1. Energy/Mineral Relationship
  2. Local Commitment
  3. Documented Need
  4. Ability to Pay
  5. Readiness to Go
  6. Measurable Outcomes
- Bonus** – Collaboration efforts

# Staff Review and Evaluation

- Collaborative review by Regional Managers
- Utilize the established six criteria
- Describes the application
- Identifies unanswered questions in applicant's application
- Essential that applicant answer questions in presentation

# Communication and Partnership

- Extra effort with customers
- Management of customer expectation
- Application and community development consultation
- Project monitoring & workload management
- Role of Advisory Committee
  - Policy, Criteria Development, Regional Efforts and Strategic Investments